

Annual Elections for Corporate Boards: For or Against?

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Important developments were highlighted today by Gretchen Morgenson in *The New York Times* about "[35 Big Steps To Accountability](#)" in corporate board governance. According to her column, 35 additional companies have joined with the 42 that had already agreed with the [Shareholder Rights Project \(SRP\)](#) to reject staggered corporate board elections in favor of annual ones. The SRP is led by Harvard Law School Professor [Lucian A. Bebchuk](#).

Traditionally, boards are "classified," meaning that board members are assigned terms of one to eight years. Often, more senior board members have longer terms of service, particularly chairs of committees and officers. Classified boards do not necessarily have staggered terms, but commonly do. Staggered terms are designed so that only a portion of the board is up for re-election at one time, thereby keeping the majority of the board intact throughout board elections. The argument for staggered terms is to retain corporate continuity. Additionally, staggered terms are intended to protect against take-overs.

According to Morgenson, the Shareholders Rights Project (SRP) has "sponsored successful proposals to declassify the boards of... Foot Locker, Kellogg, NCR, and Netflix." Additionally, the SRP "works with seven large pension funds and a foundation to effect change at companies whose shares they own. The pension funds, which include those managed by the Florida State Board of Administration, the Ohio Public Employees Retirement System, the North Carolina state treasurer and the Illinois State Board of Investment, oversee more than \$400 billion in assets for more than three million beneficiaries."

Annual board elections are a progressive approach and best practice to board governance. There are a number of reasons for this, most significantly:

1. Improving board member accountability, with the knowledge that their performance and contribution will be assessed annually
2. Opening positions on boards for new people with diverse backgrounds and perspectives--including gender, age, nationality, and race--to the board, thereby advancing companies to be more innovative and competitive in the global marketplace
3. Providing more vibrant board rotation, allowing the board to adjust its composition to its needs for experience and expertise based on new opportunities and directions

In my new book, *A Better World, Inc.: How Companies Profit by Solving Global Problems... Where Governments Cannot*, I demonstrate that companies are profiting by solving the world's most vital and daunting challenges. In order to lead the way, companies must have board members who are the most relevant, engaged, and accountable. I vote for annual elections. How about you?